

**UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO**

In re:  THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO,  as representative of  THE COMMONWEALTH OF PUERTO RICO, et al.,  Debtors.	PROMESA  Title III  No. 17-bk-3283-LTS  (Jointly Administered)
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**SUMMARY SHEET**

**FIFTH INTERIM APPLICATION OF CITIGROUP GLOBAL  
MARKETS INC. FOR ALLOWANCE OF COMPENSATION FOR SERVICES  
RENDERED AND REIMBURSEMENT OF EXPENSES INCURRED AS INVESTMENT  
BANKER AND FINANCIAL ADVISOR TO THE FINANCIAL OVERSIGHT  
AND MANAGEMENT BOARD, FROM FEBRUARY-MAY 2019**

Applicant:	Citigroup Global Markets Inc.
Authorized to Provide Services to:	The Financial Oversight and Management Board for Puerto Rico
Date of Retention:	January 27, 2017
Compensation Period:	February 1, 2019-May 31, 2019
Compensation Sought:	\$4,300,000
Expense Reimbursement Sought:	\$26,187.61
Total Sought:	\$4,326,187.61

This is a: \_ monthly ☒ interim \_final application

**SUMMARY OF TIME DETAIL FROM  
COMPENSATION PERIOD IN EXHIBITS 1-2**

Name	Title		Hours
Core Team Serving FOMB			
Green, Thomas H.	Managing Director	30+	710
Brownstein, David	Managing Director	30+	877
Gavin, John C.	Managing Director	30+	661
Leung, George	Managing Director	30+	170
Cohen, Daniel	Director	30+	185
Castiglioni, James	Director	10	941
Keca, Dashmir	Assoc. Vice President	10	286
Public Side/Specialist Employees	Various	--	1,450
Subtotal:			5,280
PREPA Transformation Team			
Sen, Sandip	Managing Director	30+	151
Chapados, Frederic	Director	10	233
Shones, Mariah	Vice President	5	287
Yu, Daniel	Vice President	5	275
Bond, Daniel	Assoc. Vice President	3	164
Hall, Chris	Analyst	2	196
Subtotal:			1,306

**Total:** 6,586

**SUMMARY OF EXPENSE ITEMIZATION FROM  
COMPENSATION PERIOD IN EXHIBIT 3**

Category	Amount
Airfare	\$5,186.09
Ground Transportation	\$4,418.77
Hotel/Lodging	\$3,910.18
Meals	\$115.77
Legal	\$12,556.80

**Total:** \$26,187.61

**PRIOR FEE APPLICATIONS**

Period Covered	Date Filed (ECF #)	Fees Requested	Expenses Requested	Order Date ECF#	Fees Allowed	Expenses Allowed
5/3/17-1/31/18	4/23/18 ECF#2944	\$625,000	\$60,971.21	1/30/19 ECF#2998	\$625,000	\$28,780.19
2/1/18-5/31/18	10/5/18 ECF#4020	\$1,803,571.43	\$40,912.98	7/24/20 ECF#13824	\$1,803,571.43	\$30,513.96
6/1/18-9/30/18	1/25/19 ECF#4897	\$1,975,000	\$20,450.63	6/1/20 ECF#13296	Adjourned	Adjourned
5/5/17-2/12/19 Re: COFINA Success Fee	6/10/19 ECF#7341	\$5,873,156.76	\$0	7/24/20 ECF#13724	\$5,873,156.76	\$0

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DISTRICT OF PUERTO RICO**

<p>In re:</p> <p>THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO,</p> <p style="text-align: center;">as representative of</p> <p>THE COMMONWEALTH OF PUERTO RICO, et al.,</p> <p style="text-align: right;">Debtors.<sup>1</sup></p>	<p>PROMESA</p> <p>Title III</p> <p>No. 17-bk-3283-LTS</p> <p>(Jointly Administered)</p>
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**FIFTH INTERIM APPLICATION OF CITIGROUP GLOBAL  
MARKETS INC. FOR ALLOWANCE OF COMPENSATION FOR SERVICES  
RENDERED AND REIMBURSEMENT OF EXPENSES INCURRED AS INVESTMENT  
BANKER AND FINANCIAL ADVISOR TO THE FINANCIAL OVERSIGHT  
AND MANAGEMENT BOARD, FROM FEBRUARY-MAY 2019**

Citigroup Global Markets Inc. (“Citi”), investment banker and financial advisor to The Financial Oversight and Management Board for Puerto Rico (“FOMB”), as representative of the Debtors pursuant to PROMESA section 315(b), submits its fifth interim application for allowance of compensation for services rendered from February 1, 2019-May 31, 2019 (“Compensation Period”) in the amount of \$4,300,000 and reimbursement of actual, necessary expenses incurred during such period in the amount of \$26,187.61, pursuant to PROMESA sections 316-17, Rule 2016 and P.R. LBR 2016-1, and states:

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<sup>1</sup> The Debtors in these Title III Cases, along with the last four digits of their respective Federal Tax ID numbers, are: (i) Commonwealth of Puerto Rico (“Commonwealth”) (3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (9686); and (v) Puerto Rico Electric Power Authority (“PREPA”) (3747).

### **JURISDICTION**

1. The Court has subject matter jurisdiction to consider this application, pursuant to PROMESA section 306(a). Venue is proper in this district, pursuant to PROMESA section 307(a).

### **BACKGROUND**

2. The Commonwealth commenced its Title III case on May 3, 2017; COFINA commenced its Title III case on May 5, 2017; HTA and ERS commenced their Title III cases on May 21, 2017; and PREPA commenced its Title III case on July 2, 2017.

3. Pursuant to PROMESA section 315(b), the FOMB is the representative of each Debtor in its respective Title III case.

4. Citi was originally employed as investment banker and financial advisor to the FOMB, pursuant to an engagement letter, dated January 27, 2017 [ECF No. 2944-1]. That agreement provided for Citi to be paid a fixed monthly retainer of \$250,000, and a success fee equal to .0333% of the par amount of bonds issued by certain covered entities, or restructured as part of a PROMESA-related restructuring, subject to a cap and payable on closing of the relevant transaction(s), in addition to the reimbursement of reasonable out-of-pocket expenses, also subject to a cap.

5. That agreement was superseded by an amended and restated engagement letter, dated February 13, 2018 [ECF No. 2944-2]. The amended agreement kept the foregoing compensation terms, but expanded the scope of services to be rendered to include, inter alia, identifying private sector solutions in connection with PREPA's restructuring, and advising on long-term concessions for the utility's transmission and distribution assets and privatization of its generation assets. The amended agreement also provided for Citi to receive, as additional compensation for the foregoing additional services, a fixed monthly retainer of \$400,000 and success fee.

6. Hours expended by members of Citi's core team (estimated by each of them) in providing services to the FOMB during the Compensation Period are included in Exhibit 1. Exhibit 2 lists hours expended by members of Citi's PREPA transformation team (estimated by each of them) during the Compensation Period.

7. An itemized list of expenses incurred during the Compensation Period for which reimbursement is sought (excluding legal expenses identified in the summary sheet) is annexed hereto as Exhibit 3.

8. Monthly invoices for services rendered on behalf of the Title III Debtors during the Compensation Period are annexed hereto as Exhibit 4.

9. Citi performed inter alia the following services during the Compensation Period, as is summarized below:<sup>2</sup>

**FEBRUARY 2019**

- Calls with PREPA creditors regarding alternative structures and terms for PREPA RSA;
- Meetings and calls to bring new advisors to FOMB up to speed as to Commonwealth and related debt;
- Meetings and calls with FOMB advisors regarding development of an Employee Retirement System (ERS) creditor restructuring offer term sheet by FOMB;
- Discussions with AAFAF advisors regarding development of a mediation and litigation strategy for Commonwealth plan of adjustment;
- Meetings and calls with FOMB and AAFAF advisors regarding ERS mediation and litigation strategy;

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<sup>2</sup> The summary provided herein and in the exhibits to this application do not fully capture the many daily discussions Citi team members routinely have with the FOMB's executive director, in-house counsel, board members and other advisors concerning restructuring strategy, related litigation and other related aspects of Citi's PROMESA work.

- Analysis of Public Building Authority (PBA) bond claims and potential for consensual restructuring, including analysis of “own source” recoveries at PBA and Commonwealth, Title III residual claims based on PBA bond guarantees from the Commonwealth;
- Participation in FOMB calls regarding labor and pension and retiree negotiation strategy;
- Modeling of potential “pension trust” deposits and withdrawal structure, for contemplated Commonwealth plan of adjustment;
- Calls with mediation team in advance of Commonwealth and ERS mediation session scheduled for February 2019;
- Review of PREPA T&D draft operating agreements with tax counsel to ensure compliance with tax exempt bond QMA rules;
- Weeklong mediation sessions on Commonwealth Title III issues with creditors and mediation team;
- Calls and meetings with FOMB and advisors regarding Commonwealth cash report;
- Multiple special and weekly FOMB calls regarding Commonwealth Title III mediation sessions and related debt and creditor negotiation issues;
- Discussions of TSA cash analysis with AAFAF advisors;
- Multiple drafting sessions at Proskauer regarding Commonwealth plan of adjustment topics, including cash position, “best interests” test, “clawback claim” treatment, HTA claims and toll revenues, ERS bond treatment, PBA own source and Commonwealth recoveries, PRASA Commonwealth guarantees, JRS/TRS/ERS and other Commonwealth Title III matters;
- Review and analyze impact of Supreme Court decision to not advance Peaje petition with regard to HTA debt restructuring;
- PREPA RSA calls, analyses and drafting sessions with AAFAF advisors and with creditors relating to demand protections and other open items in RSA term sheets;
- Multiple calls and meetings with ERS bond creditors;
- Meetings with AAFAF counsel and advisors regarding clawback claims analysis at HTA, and ratings agency follow up requirements;
- Review of COFINA confirmation appeals and preparation with respect to FOMB responses;
- Review and comment on papers filed in support of confirmation including brief in support and form of order, and preparation of summary deck for presentation to market in support of restoration of market access (stated purposes of PROMESA);

- Participate in drafting of FOMB's press releases regarding confirmed COFINA plan;
- Aid AAFAF team in consummation of COFINA plan, with respect to aspects concerning bond math, agreed payouts on day of execution, determination of new CUSIPs and other mechanics included in confirmed plan;
- Aid creditors and their advisors in understanding details concerning COFINA plan;
- Aid Citi public side employees in responding to questions interposed by investors regarding COFINA plan, and prepare for market-wide investor call/presentation to facilitate overall market acceptance.

### **MARCH 2019**

- Continued work with FOMB, Proskauer and other FOMB advisors on Commonwealth plan of adjustment, including design of litigation trust toggle, establishing recovery caps by bond class, classification of claims, review of claim amounts, review of Commonwealth restricted and unrestricted cash position, caps on maximum annual debt service and limitations to be imposed by FOMB on maximum annual debt service payable on restructured legacy debt and caps on future debt issuance by the Commonwealth;
- Investor call to discuss COFINA plan, undertaken in conjunction with counsel to COFINA creditors;
- Work with and provide analysis to monoline insurers as to possible reissuance in municipal market of COFINA bonds, with a view towards potentially improving recovery as permitted in COFINA plan;
- Aid AAFAF and creditor advisors as to determining issue price for new COFINA bonds and explaining reasoning therefor;
- Calls and meetings with tax counsel and AAFAF regarding PREPA transformation and preservation of PREPA bond tax exempt eligibility;
- Multiple meetings and calls with Commonwealth "vintage" bond creditor groups regarding terms of potential PSA for Commonwealth plan of adjustment, involving litigation trust and pensions "pay go" funding trust;
- Briefing calls on labor and pensions committee negotiations Commonwealth plan of adjustment;
- Calls with AAFAF and PRASA advisors regarding restructuring of PRASA Federal loans, and review of negotiation document draft term sheets relating to proposed restructuring;
- Continued work with counsel for FOMB, AAFAF and creditors on definitive documentation of new PREPA RSA, including demand protections provisions;

- Continued analysis work and education regarding PREPA RSA and typical municipal debt structures with AAFAF and creditor advisors, including in-depth analysis regarding call protections for “Tranche B” bonds;
- Review of draft reports by FOMB cash consultation on Commonwealth cash and nature of various restrictions on restricted vs. unrestricted cash;
- Follow up work with tax counsel on IRS discussion regarding COFINA bonds and their tax treatment, once Federal government shut down ended and IRS began to consider COFINA’s request for more favorable treatment of bonds issued under confirmed plan;
- Calls with AAFAF advisors regarding PRIFA Ports bond restructuring negotiations, and review of multiple draft PRIFA Ports bond restructuring term sheets;
- Engagement with expanded PREPA creditors including monoline bond insurers, regarding expanding creditor support for new PREPA RSA;
- Multiple rating agency calls regarding criteria for rating Puerto Rico restructured debt;
- Work on possible structures for contingent value instruments in case needed in negotiations with creditors regarding GO and GO guaranteed bonds;
- Responses to questions from market participants regarding confirmed COFINA plan.

#### **APRIL 2019**

- PREPA RSA negotiations with various creditor groups, and drafting and review of PREPA RSA definitive documentation and securitization bond term sheet;
- Due diligence on rating agency securitization views, and how the same may impact PREPA RSA negotiations;
- Continued negotiation with certain Commonwealth “vintage” bondholder groups, regarding the terms of a consensual PSA for Commonwealth plan of adjustment;
- PREPA RSA conference calls and meetings on demand protections and other RSA terms, including work with AAFAF and PREPA counsel and consenting creditor advisors;
- Numerous PREPA analyses and structures, and related conversations with AAFAF and creditor advisors;
- Review of PRIFA Ports bonds RSA documentation;
- Ratings agency discussions regarding new COFINA bond credit;
- Continued work on Commonwealth plan of adjustment documents, and possible PSA terms;



- Multiple briefings of FOMB members on status and progress of creditor negotiations in Commonwealth plan of adjustment discussions, and in PREPA RSA term sheet development and creditor support negotiations;
- Negotiation of term sheets for possible PSA with certain Commonwealth “vintage” bond creditor groups, including treatment of litigation reserve, allocation of upside “settlement savings” between Commonwealth and creditors, bond structure for new Commonwealth bonds, tax treatment and allocation of risk of taxability between Commonwealth and legacy bond creditors, ratings text, PSA restriction fees and consummation costs;
- Continued work with FOMB advisors regarding formation of possible pension trust in future PSA and plan of adjustment for GO and GO guaranteed bonds;
- Work with tax counsel on tax-exempt/taxable bond exchange to be executed pursuant to the terms of COFINA Tax Implementation Agreement based on favorable outcome from IRS;
- Participation in multiple FOMB meetings and calls regarding Commonwealth PSA negotiations, PREPA RSA and PREPA T&D transformation projects;
- Participation in work of FOMB subcommittee concerning HTA;
- Continued work on updated fiscal plan for Commonwealth;
- Aid FOMB staff in preparation of press releases and talking points regarding current status of several debt restructurings;
- Aid AAFAF and creditor advisors as to determining issue price for new COFINA bonds and explaining reasoning therefor;
- Continued work with and provide analysis for monoline insurers on possible reissuance in municipal market of COFINA bonds to possibly improve their recovery which was permitted in confirmed COFINA plan.

#### **MAY 2019**

- Review of proposed definitive documents for PREPA RSA;
- Final work on May 9, 2019 certified fiscal plan for Commonwealth plan and in particular debt sustainability chapter and discussion of legacy liabilities;
- Preparation of FOMB executive director for testimony in Congress to House of Representatives Natural Resources Committee regarding PROMESA, and travel to Washington, D.C. for same and to witness the giving of testimony;
- Negotiations with Lawful Constitutional Debt Coalition members and other Commonwealth Title III creditors regarding terms of consensual debt restructuring and PSA, and review of proposed term sheets and other proposed documents;

- Follow up calls on PREPA fiscal plan and long term demand model;
- Meetings and discussions with AAFAF regarding government views of pending Commonwealth bond creditor negotiations, including terms and sharing percentages on litigation trust, litigation upside sharing splits between Commonwealth and supporting PSA creditors, consummation cost and PSA restriction fees, FOMB-proposed pension cuts, statutory lien for secured debt consideration, reserve fund structuring, principal, interest, amortization and final maturity structure, recovery cap levels and excess cash and “bond / cash toggle” calculations and definitions and level of minimum Commonwealth working capital required for retention;
- Preparation of RSA summary deck, for presentation to broader market of PREPA RSA terms, and subsequent briefing calls with investors alongside public side Citi employees;
- Aid FOMB and AAFAF regarding follow up questions and press releases regarding PREPA RSA release;
- Continued work on PREPA RSA, including aiding creditors on claims reconciliation;
- Work on public announcement and posting of EMMA notice on favorable determination for IRS on tax exemption for new COFINA bonds previously issued without favorable tax opinion, and on the planned launch of tax-exempt/taxable exchange by COFINA;
- Numerous calls with tax and transactional counsel on PREPA T&D transformation and protection of tax exempt treatment, and PREPA eligibility for FEMA recovery funds;
- Preparation of summary decks and term sheet documents for Commonwealth PSA with Proskauer and counsel for LCDC group and other supporting creditor groups;
- Calls with AAFAF and PRASA advisors regarding PRASA federal loan restructuring, and likely final terms of consensual transaction to restructure said loans;
- Review of UPR pension shortfalls and restructuring alternatives with FOMB and its advisors;
- Review of pending Puerto Rico legislation regarding “tax free zones” to ensure compliance with COFINA confirmed plan of adjustment and Title III court orders concerning COFINA;
- Conference calls and meetings on PRIFA rum bonds with Proskauer and certain creditor advisors regarding rum tax bond credit and creditor assertions of liens and other rights;
- Preparation for June 2019 ERS mediation sessions with ERS bondholder group under the auspices of mediation team;
- Continued work with Federal tax counsel on tax exempt/taxable bond exchange to be executed pursuant to COFINA Tax Implementation Agreement based on a favorable outcome from the IRS;

- Work with and provide analysis for monoline insurers on possible reissuance in municipal market of COFINA bonds to possibly improve their recovery as permitted in the COFINA plan;
- Preparation of declaration of David Brownstein regarding new PREPA RSA;
- Aid FOMB staff in preparation of several press releases and talking points regarding current status of several debt restructurings.

### **BASIS FOR RELIEF REQUESTED**

10. PROMESA section 316(a) provides that the Court “may award to a professional person employed by ... the [FOMB] (in [its] sole discretion) ... (1) reasonable compensation for actual, necessary services rendered by the professional, or attorney and by any paraprofessional employed by any such person; and (2) reimbursement for actual, necessary expenses.”

11. Pursuant to subdivision (c):

In determining the amount of reasonable compensation to be awarded to a professional person, the court shall consider the nature, the extent, and the value of such services, taking into account all relevant factors, including—

- (1) the time spent on such services;
- (2) the rates charged for such services;
- (3) whether the services were necessary to the administration of, or beneficial at the time at which the service was rendered toward the completion of, a case under this chapter;
- (4) whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed;
- (5) with respect to a professional person, whether the person is board certified or otherwise has demonstrated skill and experience in the restructuring field; and
- (6) whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title or title 11, United States Code.

12. PROMESA section 317 and the interim compensation order permit professionals to apply for allowance of compensation and reimbursement of expenses on an interim basis.

13. Each factor set forth in section 316(c) supports the allowance of the compensation sought herein on an interim basis.

(a) Time spent on services rendered. Citi devoted nearly 7,000 hours providing services on behalf of the FOMB during the Compensation Period, as is summarized on the prefixed Summary Sheet. Significantly, there has been virtually no turnover among the Citi senior executives leading this engagement; and so, relatively little of that time has been devoted to bringing professionals up to speed on this complex engagement.

(b) Fees charged. As set forth in the Leffler Certification (defined below), the fees charged for this engagement are consistent with those customarily employed by Citi in other municipal restructuring engagements.

(c) Whether Services were necessary or beneficial. The services rendered were necessary to the administration of these Title III cases, and beneficial when rendered. The FOMB engaged Citi for the express purpose of providing these services.

(d) Timeliness of services rendered. No issue has been raised concerning the timeliness of services rendered by Citi.

(e) Restructuring Experience. Citi has a wealth of municipal restructuring experience. Citi is one of the largest municipal securities dealers in the United States, and has played an active role nearly in most major municipal restructurings in the United States for at least the past two decades. It was extremely well versed with complex issues facing the Debtors long before commencing this engagement.

14. The certification required by Rule 2016 and P.R. LBR 2016-1(a)(4) is annexed hereto as Exhibit 5 (“Leffler Certification”).

**NO PRIOR REQUEST**

15. No prior request for the relief sought herein has been made to the Court or to any other court.

WHEREFORE, Citi requests an order allowing interim compensation for services rendered during the Compensation Period in the amount of \$4,300,000 and reimbursement of expenses incurred during such period in the amount of \$26,187.61 and granting such other and further relief as the Court deems just and proper.

Dated: October 9, 2020

Respectfully submitted,

/s/ Mike Leffler  
Mike Leffler  
Director  
*Citigroup Global Markets Inc.*

Prepared by:

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